

## Message Text

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ORIGIN IO-13

INFO OCT-01 NEA-10 ISO-00 EB-08 /032 R

66011

DRAFTED BY IO/ML:JLWASHBURN:SC

APPROVED BY IO:EASWOPE

EB/ORF/ISM:WWEINGARTEN

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C O N F I D E N T I A L STATE 076117

FOR HINES

FOL REPEAT GENEVA 2515 ACTION SECSTATE INFO OECD USUN  
NEW YORK DTD 3 APR.

QUOTE

C O N F I D E N T I A L GENEVA 2515

DELIVER OOB MONDAY, APRIL 4)

E.O. 11652: GDS

TAGS: UNCTAD; EGEN

SUBJECT: UN NEGOTIATING CONFERENCE ON A COMMON FUND:

FINAL WRAP UP.

PASS TREASURY FOR SOLOMON

FOR EO - COOPER, EB - KATZ

1. SUMMARY: FIRST SESSION OF COMMON FUND CONFERENCE ENDED  
IN UNDRAMATIC FASHION AT 0134 APRIL 3 WITH NO RPT NO  
AGREEMENT ON A RESOLUTION, BUT WITH AD HOC PROPOSAL BY  
CONFERENCE PRESIDENT, WHICH IS LIKELY TO BE FOLLOWED, FOR A  
PROCEDURE FOR RECONVENING LATER THIS YEAR. CAREFULLY  
CONSTRUCTED SCENARIO FOR CONCLUSION CENTERED AROUND NEGOTIATED  
STATEMENT BY CHAIRMAN (WALKER-JAMAICA) SETTING FORTH HIS  
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PERSONAL, NON-BINDING ASSESSMENT OF RESULTS OF THE SESSION  
AND STATEMENTS BY SPOKESMAN FOR G-77 (MACIEL-BRAZIL), GROUP  
B (BARRASS - UK) AND GROUP D. ALGERIA AND SOMALIA WERE  
ONLY INDIVIDUAL COUNTRIES WHICH MADE STATEMENTS. CHAIRMAN'S  
STATEMENT NOTED (1) VIEWS OF VARIOUS GROUPS OF  
COUNTRIES; (2) THAT IT APPEARED TO HIM THAT THERE WAS  
LARGE CONSENSUS FOR ESTABLISHMENT OF COMMON FUND; AND  
(3) CALLS ON SECY GENERAL TO PROPOSE DATES FOR  
APPROVAL AT NEXT SESSION OF TDB (MAY 4).

2. FINAL STATEMENTS OF GROUP SPOKESMAN WERE LOW-KEY IN TONE, BUT G-77 REP MACIEL (BRAZIL) PRESENTED TOUGH G-77 LINE ON ESTABLISHMENT OF CF AS A CENTRAL SOURCE OF FINANCE AND CALLED PRESENT CONFERENCE A "COMPLETE FAILURE", ALTHOUGH HE SAID G-77 REMAINED WILLING TO NEGOTIATE WHEN ATTITUDE OF OTHER GROUPS HAD CHANGED. GROUP B COORDINATOR BARASS (U.K.) STRESSED CONTINUED WILLINGNESS OF GROUP B MEMBERS TO NEGOTIATE POSITIVELY AND CONSTRUCTIVELY.

3. THIS FOLLOWED BREAKDOWN OF INTENSIVE NEGOTIATIONS OVER THE FINAL TWO DAYS OF THE CONFERENCE ON LANGUAGE FOR A FINAL RESOLUTION WHICH WOULD HAVE INVOLVED A COMMITMENT IN PRINCIPLE TO THE CREATION OF A COMMON FUND. U.S. AT AN EARLY POINT IN DISCUSSIONS MADE CLEAR IT COULD NOT UNDERTAKE ANY SUCH COMMITMENT AND WOULD FILE A FORMAL RESERVATION TO ANY CONFERENCE DECISION WHICH CONTAINED SUCH A COMMITMENT. JAPAN, AUSTRALIA, CANADA, AND LATER NEW ZEALAND ALSO INDICATED THEY WOULD NOT ACCEPT ANY SUCH COMMITMENT. GROUP TO GROUP NEGOTIATIONS ON TEXT FINALLY BROKE DOWN WHEN G-77 TRIED WITHOUT SUCCESS TO SQUEEZE THE EC FOR A STRONGER COMMITMENT THAN THAT CONVEYED BY THE EC DECISION IN ROME.

4. WE JUDGE FINAL RESULT TO BE SATISFACTORY FOR U.S. WE HAVE NOT MADE ANY COMMITMENT TO ESTABLISHMENT OF CONFIDENTIAL

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COMMON FUND AND GAINED ADDITIONAL TIME TO DEVELOP OUR OVERALL APPROACH TO COMMODITIES ISSUES WHICH IS ONLY BASIS FROM WHICH WE CAN EFFECTIVELY COUNTER UNCTAD VERSION OF COMMON FUND. THE RESULT ALSO MINIMIZES CONFRONTATIONAL FALL-OUT WHICH COULD JEOPARDIZE OUR OBJECTIVES IN CIEC AND ELSEWHERE. ABSENCE OF AGREED SUBSTANTIVE CONCLUSION COMPLICATES HANDLING OF CF ISSUE IN CIEC, BUT CLEAR PROSPECT OF RESUMED WORK IN UNCTAD LESSENS OPPORTUNITY FOR G-77 TO PURSUE CONFRONTATIONAL LINE ON THIS ISSUE IN CIEC AND OTHER FORUMS SUCH AS A RESUMED U.N. GENERAL ASSEMBLY. THERE IS APPRECIATION WITHIN THE G-77 THAT THE U.S. IS NOW WILLING TO CONSIDER CF ACTIVELY. BUT OUR LINE OF CREDIT WITH THE G-77 FOR THIS PERCEIVED CHANGE IN ATTITUDE WILL DIMINISH OVER NEXT SEVERAL MONTHS, AND WE WILL BE PRESSED HARD IN CIEC AN RESUMED SESSION OF THIS CONFERENCE FOR COMMITMENT TO G-77 VERSION OF A CF. END SUMMARY.

5. FINAL TWO DAYS OF CONFERENCE DEVOTED TO INTENSIVE INTER-GROUP CONSULTATIONS. FIRST PHASE OF CONSULTATIONS INVOLVED G-77 LEADERSHIP CONVINCING AFRICAN GROUP NOT TO INSIST ON CONFERENCE AGREEING TO DECISION ENDORSING G-77 VERSION OF CF, BUT INSTEAD TO MILDER FORM PROPOSED BY CONFERENCE PRESIDENT WALKER (JAMAICA)

STATING THAT THE CONFERENCE QUOTE AGREES TO THE ESTABLISHMENT OF A CF IN PURSUANCE OF THE OBJECTIVES OF THE INTEGRATED PROGRAM FOR COMMODITIES UNQUOTE. GROUP B (DEVELOPED COUNTRIES) REJECTED THIS FORMULATION, BUT EC MEMBERSHIP WITHIN GROUP THEN OFFERED LANGUAGE BASED ON EC ROME COMMUNIQUE ON MARCH 26 STATING THAT QUOTE CONFERENCE AGREES THAT THERE SHOULD BE A CF. IT SHOULD BE DULY NEGOTIATED AND SATISFACTORILY WORKED OUT AND ACCEPTED BY A WIDE RANGE OF DEVELOPED AND DEVELOPING COUNTRIES UNQUOTE. U.S., JAPAN, CANADA, AUSTRALIA, AND NEW ZEALAND INDICATED THESE AND OTHER SIMILAR VERSIONS WERE NOT ACCEPTABLE, ALTHOUGH CANADA SAID IT COULD ACCEPT

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ONE HIGHLY LIMITED VERSION DIRECTLY LINKING COMMITMENT TO SUCCESSFUL OUTCOME OF NEGOTIATIONS. IN THE END, G-77 WANTED STRONGER COMMITMENT THAN EVEN EC MEMBERS, IN PARTICULAR FRG, WERE WILLING TO ACCEPT.

6. THUS, FINAL PLENARY CONSISTED ONLY OF SUMMING UP STATEMENTS BY CONFERENCE CHAIRMAN (WALKER) AND STATEMENTS BY GROUPS' COORDINATORS PLUS SOME INDIVIDUAL STATEMENTS. (WALKER AND GROUP OF 77 AND GROUP B COMPLETE TEXTS FOLLOW SEPTELS). WALKER IN INTRODUCTORY REMARKS STATED THAT THE CONFERENCE RESULTS COULD NOT BE DESCRIBED AS SATISFACTORY. THE CONFERENCE HAD IN FACT BEEN AN ENLARGED PREPARATORY MEETING. AFTER THE STATEMENTS BY REGIONAL SPOKESMAN, WALKER SUMMED UP CONFERENCE RESULTS IN A STATEMENT WHICH HE SAID HAD AGREEMENT OF ALL REGIONAL GROUPS. HE NOTED THAT LDCS HAD QUOTE AFFIRMED THEIR UNANIMOUS COMMITMENT TO THE ESTABLISHMENT OF A CF UNQUOTE, WHILE SOME DCs ALSO SUPPORTED CF. THE EC MEMBER STATES AGREED THAT THERE SHOULD BE A CF WHILE OTHER DC'S STATED THAT THEY WERE PREPARED TO CONSIDER, WITH A POSITIVE AND OPEN ATTITUDE, THE ESTABLISHMENT OF A COMMON FUNDING ARRANGEMENT. HE ARGUED THAT WHILE IT WAS IMPOSSIBLE TO PROCEED FURTHER AT THIS CONFERENCE, QUOTE IT APPEARS TO ME THAT THERE IS A LARGE CONSENSUS THAT A CF SHOULD BE ESTABLISHED IN ACCORDANCE WITH RES 93 (IV) TO SERVE AS A MAIN INSTRUMENT OF THE IPC UNQUOTE. CONFERENCE SHOULD THEREFORE RECONVENE AT A PLENIPOTENTIARY LEVEL NOT LATER THAN NOVEMBER, 1977, WITH EXACT DATES TO BE SET BY MAY TDB. THE SECY GENERAL SHOULD CONDUCT SUCH CONSULTATIONS AS MAY BE APPROPRIATE IN ORDER TO FACILITATE THE WORK OF THE RECONVENED CONFERENCE.

7. G-77 REP MACIEL STATED THAT THE DEVELOPING COUNTRIES QUOTE CANNOT FAIL TO EXPRESS IN THE MOST UNEQUIVOCAL TERMS THAT THE CONFERENCE IS ENDING IN COMPLETE FAILURE UNQUOTE. HE ARGUED THAT THE G-77 HAD TRIED WITH THEIR DRAFT DECISION

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TO NARROW THE SCOPE OF DEBATE TO THE FUNDAMENTAL QUESTION OF A DECISION TO ESTABLISH A CF WHICH SHOULD SERVE AS THE MAIN INSTRUMENT OF THE IPC AND FUNCTION AS A CENTRAL SOURCE OF FINANCE. THEIR EFFORTS HAD PROVED FRUITLESS. THIS WAS ATTRIBUTABLE TO A SERIOUS LACK OF POLITICAL WILL ON THE PART OF OTHER GROUPS. THE G-77 REMAINED READY AND WILLING TO NEGOTIATE IF AND WHEN THE ATTITUDE OF OTHER GROUPS WAS SUCH THAT THE CONFERENCE COULD BE RESUMED WITH A LIKELIHOOD OF A SUCCESSFUL OUTCOME. THE G-77 CONSIDERED THAT FURTHER DELIBERATIONS ON THE QUESTION OF THE CF SHOULD BE PURSUED WITHIN THE INSTITUTIONAL MACHINERY OF UNCTAD.

8. GROUP B SPOKESMAN BARASS' STATEMENT WAS BRIEF AND POSITIVE IN TONE, INDICATING THAT SIGNIFICANT PROGRESS HAD BEEN MADE IN BROADENING AREAS OF CONSENSUS ON SOME OF THE ELEMENTS OF A CF. HE NOTED THAT WHILE EFFORTS TO REACH AGREEMENT ON A CONFERENCE RESOLUTION WERE NOT SUCCESSFUL, GROUP B QUOTE REMAINS POLITICALLY COMMITTED TO CONTINUE THE NEGOTIATIONS TOWARD THE ESTABLISHMENT OF A CF UNQUOTE.

9. GROUP D SPOKESMAN (USSR) MADE A NON-SUBSTANTIVE INTERVENTION AVOIDING ANY CONCRETE STATEMENT ON THE CF ITSELF. THE PRC CRITICIZED GROUP GENERALLY, BUT BRUNT OF ATTACK WAS ON SUPERPOWERS, PARTICULARLY USSR. PRC NOTED ONE SUPERPOWER (USSR) CLAIMED IT HAD NO RESPONSIBILITY FOR PRICE STABILITY PROBLEMS, AS IF COUNTRY QUOTE DIDN'T EXIST IN THE WORLD UNQUOTE. THE OTHER SUPERPOWER (US), ON THE OTHER HAND, CLAIMED TO HAVE AN OPEN MIND ON A CF WHILE IT WAS CLEAR IN THIS CONFERENCE THAT IT WAS TRYING TO INTERJECT ITS OWN IDEAS WHICH WERE COMPLETELY DIFFERENT FROM CF PROPOSED BY THE G-77.

10. ALGERIA AND SOMALIA WERE THE ONLY COUNTRIES TO MAKE INDIVIDUAL STATEMENTS. CAUTIONING AGAINST BEING MISLED BY CONFIDENTIAL

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CALMNESS OF G-77 STATEMENT, THE ALGERIAN (KHERBI) UNDERLINED THE DETERMINATION OF THE LDCS TO CREATE A COMMON FUND, DESPITE ATTEMPTS BY CERTAIN COUNTRIES TO HOLD UP THE PROCESS. HE SAID THIS CONFERENCE DEMONSTRATED THE LDCS' DETERMINATION TO HELP SETTLE INTERNATIONAL PROBLEMS, AS WELL AS THEIR COMMITMENT TO UNCTAD. THE SOMALI DELEGATE (OSMAN) GAVE A LENGTHY DIATRIBE ACCUSING DCS OF BLOCKING THE WILL OF THE MAJORITY. COMMENTING ON CHAIRMAN'S SUMMARY, HE SAID THAT SCOPE OF RESUMED SESSION OF CONFERENCE SHOULD BE BETTER DEFINED TO AVOID A REPEAT OF THIS SESSION WHICH HE CLAIMED HAD ENDED IN FUTILITY.

11. IN ABSENCE OF ANY FORMAL CONFERENCE DECISION, THERE IS NO FORMAL AGREEMENT ON RECONVENING OF CONFERENCE OR FURTHER WORK BEFORE ANY RESUMED SESSION. BUT CONFERENCE PRESIDENT'S SUMMING-UP AND G-77 COORDINATOR'S REMARKS TOOK LINE ON PROCEDURE WHICH WAS IDENTICAL TO THAT IN ORIGINAL G-77 DRAFT PROCEDURAL RES (GENEVA 2436), WHICH CALLS FOR DECISION BY TDB BEGINNING MAY 4 ON DATES FOR RESUMED SESSION ON THE CONFERENCE AND FOR UNCTAD SECY GENERAL TO MAKE RECOMMENDATIONS TO JULY MEETING OF AD HOC COMMITTEE ON THE INTEGRATED PROGRAM FOR COMMODITIES (IPC) ON INTER-SESSIONAL WORK. BOTH ACTIONS WOULD REQUIRE CONSULTATIONS WITH GROUP COORDINATORS FROM MISSIONS HERE IN GENEVA, AND U.S. WOULD BE INVOLVED IN THESE. GROUP B INDICATED READINESS TO CONTINUE WORK. IT IS THUS ALMOST CERTAIN THAT TDB AND AD HOC COMMITTEE WILL BE NEXT FORUMS FOR AT LEAST PROCEDURAL CONSIDERATION OF CF ISSUE.

12. IN MEETING WITH PRESS AFTER MEETING HAD CONCLUDED, U.S. DEL (BOSWORTH) WAS ASKED IF U.S. WAS PART OF "LARGE CONSENSUS" ON CF REFERRED TO BY CONFERENCE PRESIDENT WALKER AS REPORTED IN PARA 6 ABOVE. HE NOTED CONSENSUS REFERRED TO WAS WALKER'S PERSONAL VIEW OF SITUATION AND U.S. IN ANY CASE WAS NOT PART OF ANY SUCH CONFIDENTIAL

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LARGE CONSENSUS.

13. WHILE GROUP BE MANAGED TO PULL ITSELF BACK TOWARD SEMBLANCE OF COHESION OAT THE END OF THE SESSION, THE RIFT BETWEEN COMMON US/JAPAN POSITION OF NO COMMITMENT ON CF AND THE MORE FORTHCOMING VIEW OF EC ON THIS ISSUE AS EXPRESSED IN MARCH 26 ROME COMMUNIQUE PRESENTS SERIOUS PROBLEMS OF COORDINATION ON SUBSTANCE. LACK OF PREVIOUS CONSULTATON BY EC ON ITS SHIFT IN POSITION, WAS WELL AS ON ALTERNATIVE FORUMLATIONS OF THIS NEW POSITION DURING LAST TWO DAYS OF CONFERENCE HERE SUBSTANTIALLY -- AND IN AN UNFAVORABLE WAY -- ALTERED THE TACTICAL SITUATION AT THE CONFERENCE, AND MUST BE MATTER OF CONTINUED CONCERN TO US. IT WILL MAKE G-8 COORDINATION ON CF ISSUE FOR CIEC PARTICULARLY DIFFICULT. IN THIS CONNECTION, WE UNDERSTAND THAT CF ISSUE WILL BE FURTHER ADDRESSED AND THE EC'S POSITIONS FLESHED OUT IN THE COUNCIL OF MINISTERS IN LUXEMBOURG APR 5. SORENSON

UNQUOTE VANCE

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
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**Disposition History:** n/a  
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**TAGS:** EGEN, UNCTAD  
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**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

